

PIAZZA D'ITALIA DEVELOPMENT CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/2/11

PIAZZA D'ITALIA DEVELOPMENT CORPORATION

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DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

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INDEPENDENT AUDITOR'S REPORT

May 4, 2011

To the Board of Directors
Piazza d'Italia Development Corporation
New Orleans, Louisiana

We have audited the accompanying statement of financial position of Piazza d'Italia Development Corporation, a component unit of the City of New Orleans, State of Louisiana, a nonprofit organization under Internal Revenue Service Code Section 501(c)(3), as of and for the years ended December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Piazza d'Italia Development Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Piazza d'Italia Development Corporation as of December 31, 2010 and 2009, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2011 on our consideration of Piazza d'Italia Development Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Duplantier, Hrapmann, Hogan & Maher, LLP

PIAZZA D'ITALIA DEVELOPMENT CORPORATION
 STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

	<u>ASSETS</u>	
	<u>2010</u>	<u>2009</u>
ASSETS:		
Cash (Note 3)	\$ 1,774,221	\$ 2,043,258
Certificates of Deposit (Note 3)	-	110,907
Rent Receivable (Note 4)	55,000	-
Interest Receivable	-	370
	<hr/>	<hr/>
TOTAL ASSETS	\$ <u>1,829,221</u>	\$ <u>2,154,535</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts Payable (Note 6)	\$ 17,471	\$ 19,287
Due to City of New Orleans, Louisiana (Note 7)	-	78,207
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>17,471</u>	<u>97,494</u>
NET ASSETS:		
Unrestricted (Note 8)	<u>1,811,750</u>	<u>2,057,041</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,829,221</u>	\$ <u>2,154,535</u>

See accompanying notes.

PIAZZA D'ITALIA DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
UNRESTRICTED NET ASSETS:		
Unrestricted revenues and other support:		
Program service fees (Note 2)	\$ 792,507	\$ 600,000
Interest income	6,811	6,700
Total unrestricted revenues and other support	<u>799,318</u>	<u>606,700</u>
Expenses:		
Program Expenses:		
Legal fees	3,615	26,307
Maintenance costs	17,393	19,145
Technology fees	63	3,454
Professional fees	6,112	3,000
Parking fees	2,295	1,740
Total program expenses	<u>29,478</u>	<u>53,646</u>
General and Administrative Expenses:		
Office rent (Note 5)	11,535	17,462
Moving costs	-	2,067
Office supplies	797	447
Telephone	2,386	393
Miscellaneous	404	265
Bank charges	9	45
Total general and administrative expenses	<u>15,131</u>	<u>20,679</u>
Total expenses	<u>44,609</u>	<u>74,325</u>
Change in unrestricted net assets before transfers	754,709	532,375
Transfer to the City of New Orleans	<u>(1,000,000)</u>	<u>-</u>
Change in unrestricted net assets	(245,291)	532,375
NET ASSETS, BEGINNING OF YEAR	<u>2,057,041</u>	<u>1,524,666</u>
NET ASSETS, END OF YEAR	<u>\$ 1,811,750</u>	<u>\$ 2,057,041</u>

See accompanying notes.

PIAZZA D'ITALIA DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (245,291)	\$ 532,375
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Increase) decrease in:		
Rent receivable	(55,000)	121,527
Interest receivable	370	481
Increase (decrease) in:		
Accrued liabilities	(1,816)	17,313
Due to City of New Orleans	(78,207)	46,716
Net cash provided (used) by operating activities	<u>(379,944)</u>	<u>718,412</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of certificates of deposit	110,907	-
Reinvested interest received from certificates of deposit	-	(2,547)
Net cash provided (used) by investing activities	<u>110,907</u>	<u>(2,547)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(269,037)	715,865
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,043,258</u>	<u>1,327,393</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,774,221</u>	<u>\$ 2,043,258</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:

Interest	\$ -	\$ -
Taxes	\$ -	\$ -

See accompanying notes.

PIAZZA D'ITALIA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NATURE OF ACTIVITIES

Piazza d'Italia Development Corporation (the "Organization" or "PDDC") is a non-profit, public benefit corporation which was formed on May 17, 1990 under the Internal Revenue Code Section 501(c)(3). The purpose of the Organization is to provide for the enhancement, improvement and commercial development of the Piazza d'Italia consistent with the architectural and cultural integrity provided in the design and construction of amenities as originally planned for the development. Piazza d'Italia is a proprietary activity which is reported as a component unit of the City in the financial statements of the City of New Orleans, Louisiana. The Organization's Board of Directors is comprised of two Council members from the City Council and five other Board Members appointed by the Mayor of New Orleans, Louisiana.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The Organization prepared its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Promises to Give:

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions:

The Organization adopted Accounting Standards Codification (ASC) 958-605, *Accounting for Contributions Received and Contributions Made* in 2009. In accordance with ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. Under ASC 958-605, donor restricted contributions previously unreported are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restrictions.

Contingent Rental Income:

The Organization is entitled to receive contingent rental income based on certain factors that must occur during the term of lease. It is the Organization's policy not to recognize contingent rental income until all factors surrounding payment have been satisfied.

PIAZZA D'ITALIA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expenses:

Expenses are charged directly to program expenses and general and administrative based on specific identification.

Financial Statement Presentation:

The Organization's financial statements comply with Accounting Standards Codification (ASC) 958, *Financial Statements for Not-for-Profit Organizations*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: Unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a Statement of Cash Flows.

Income Taxes:

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization is affiliated with a governmental unit and it is not required to file IRS Form 990, Return of Organization Exempt from Income Tax.

Cash and Cash Equivalents:

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

2. PROGRAM SERVICE FEES - LEASING ARRANGEMENTS:

The Organization leases the Piazza d'Italia and surrounding properties owned by the City of New Orleans, Louisiana (the "City"). The original Lease and Franchise Agreement dated November 9, 1992 between the City and the Organization was terminated and a new Lease Agreement dated June 28, 2002 replaced it. Under the new lease, fixed rent is one dollar (\$1) per year and was paid in full at the inception of the lease for the lease term

PIAZZA D'ITALIA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

2. PROGRAM SERVICE FEES – LEASING ARRANGEMENTS: (Continued)

commencing on June 28, 2002 and ending on June 27, 2101. In addition to fixed rent, the City is entitled to all receipts derived from the operations or activities of the Organization or subleases of the property (Gross Receipts) less any operating expenses incurred with the administration of the lease or otherwise incurred by the Organization pursuant to its annual budget as approved by the Council of the City.

Short-Term Parking Lot Management Agreement – Central Parking System of Louisiana, Inc.

The Organization entered into a Short-Term Parking Lot Management Agreement with Central Parking Systems of Louisiana, Inc. (Central) dated January 1, 2009 to operate the parking lot adjacent to the Piazza d'Italia. The terms of the Short-Term Parking Lot Management Agreement are as follows:

- (1) Owner's Fee: Central agreed to pay the Organization \$45,000 per month, payable in arrears.
- (2) Term of Agreement: The initial term of the agreement commenced on January 1, 2009 and ended March 31, 2009. At PDDC's sole discretion, the contract was allowable to be extended for three additional months.

On March 11, 2009, PDDC opted to extend the contract for three additional months with the second term ending on June 30, 2009. This agreement expired upon the end of the second term.

During the year ended December 2009, Central Parking Systems of Louisiana LLC paid Owner's Fees under this agreement to the Organization \$270,000.

Parking Facility Management Agreement - Premium Parking Services LLC

The Organization entered into a Parking Facility Management Agreement with Premium Parking Services LLC ("Premium") on June 9, 2009 to operate the parking lot adjacent to the Piazza d'Italia. The terms of the Parking Facility Management Agreement are as follows:

- (1) Owner's Fee: Premium agreed to pay the Organization \$55,000 per month (the "Owner's Fee"), payable in arrears.
- (2) Year-End Payment: In addition to the Owner's Fee, Premium shall pay 75% of all annual "Gross Revenue" of the Parking Lot in excess of \$825,000 during the lease term of July 1st to June 30th of each lease year.

PIAZZA D'ITALIA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

2. PROGRAM SERVICE FEES – LEASING ARRANGEMENTS: (Continued)

Parking Facility Management Agreement – Premium Parking Services LLC (Continued)

“Gross Revenue” is defined as all sums collected by Premium for the parking and storage of motor vehicles, whether on an hourly, daily, weekly, monthly or special event basis, minus all sums paid by Premium on account of (i) any sales tax on the Parking Lot receipts and (ii) any parking tax related to the Parking Lot, but without deduction for any sums paid by Premium on account of any occupational license tax, personal property tax, or any other tax or charge attributable to the property, business or revenue of Premium (collectively “Tax”) and without deduction for any cost or expense incurred in relation to the operation, administration or management of the Parking Lot. “Gross Revenue” shall include all penalties, fines and other amounts paid to or collected or recovered by Premium in connection with enforcement of its parking rules and regulations, and shall be calculated without deduction for any sums expended by Premium in connection with enforcement of its parking rules and regulations, such as towing or booting expenses.

- (3) Term and Termination: The initial term of the Agreement commenced on July 1, 2009 and ended on June 30, 2010. At PDDC’s sole discretion, the contract may be extended for five (5) additional consecutive periods of one (1) year each for a maximum term of six (6) years. On April 27, 2010, PDDC exercised its option to extend the Agreement for an additional period of one year commencing on July 1, 2010 and ending on June 30, 2011.

During the years ended December 31, 2010 and 2009, Premium Parking Services LLC (“Premium”) paid Owner’s Fees to the Organization of \$660,000 and \$330,000, respectively. As of December 31, 2010 and 2009, amounts due to PDDC relating to the year-end payments were \$55,000 and \$0, respectively.

3. CASH:

As of December 31, 2010 and 2009, PDDC had cash book balances, including certificates of deposit, in the amount of \$1,774,221 and \$2,154,165, respectively. The bank balances are comprised of the following:

	<u>2010</u>	<u>2009</u>
Demand deposits, per bank statements	\$ 2,774,443	\$ 2,043,258
Certificates of deposit	-	110,907
Deposits secured by federal deposit insurance	<u>(250,000)</u>	<u>(360,907)</u>
Total deposits subject to credit risk	2,524,443	1,793,258
Pledged securities	<u>2,588,485</u>	<u>2,474,448</u>
Total unsecured deposits	<u>\$ -</u>	<u>\$ -</u>

PIAZZA D'ITALIA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

4. CONCENTRATION OF CREDIT RISK:

Financial instruments that are exposed to concentrations of credit risk consist of cash, accounts receivable and investments. Cash is secured by FDIC insured banking institutions as well as pledged assets as illustrated in Note 3. Rent receivable as of December 31, 2010 consisted of December 2010 rent due to the Organization, which was subsequently paid in January 2011; accordingly, no allowance for doubtful accounts was recorded. As of December 31, 2010 and 2009, the Organization did not have significant concentrations of credit risk.

5. OFFICE RENT:

The City of New Orleans entered into a lease for office space on behalf of the downtown public benefit corporations. The lease is for a term of thirty-six months, commencing on May 15, 2009 and ending on May 31, 2012. Rent is \$2,748 per month for the period June 1, 2009 - May 31, 2010; \$2,826 per month for the period June 1, 2010 - May 31, 2011; and \$2,905 per month for the period June 1, 2011- May 31, 2012. The monthly rent is split between the Organization and two other parties. Rent expense for the years ended December 31, 2010 and 2009 was \$11,535 and \$17,462, respectively, which included rent paid to the City for space used through May 15, 2009.

Future minimum lease payments as of December 31, 2010 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2011	\$ 11,488
2012	<u>4,842</u>
	<u>\$ 16,330</u>

6. MAINTENANCE AND USE AGREEMENT:

The Organization entered into the Piazza Maintenance and Use Agreement signed June 28, 2002 with Loews Hotel to share 50% of reasonable maintenance and repair costs with the Loews Hotel. Because of its proximity to the Piazza d'Italia and the availability of maintenance staff and equipment, Loews Hotel performs and coordinates maintenance activities in exchange for limited use of the Piazza for Hotel functions. Qualified maintenance costs of \$34,786 and \$38,290 were incurred by Loews Hotel for the years ended December 31, 2010 and 2009, respectively. The Organization's portion of these costs for the years ended December 31, 2010 and 2009 was \$17,393 and \$19,145, respectively, all of which was included within accounts payable as of December 31, 2010 and 2009.

7. DUE TO THE CITY OF NEW ORLEANS:

The City of New Orleans paid certain expenses on behalf of the Organization in the amount of \$5,124 and \$46,716 for the years ended December 31, 2010 and 2009, respectively.

PIAZZA D'ITALIA DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

7. DUE TO THE CITY OF NEW ORLEANS: (Continued)

The Organization is required to reimburse the City for expenses paid on its behalf. Amounts payable to the City as of December 31, 2010 and 2009 was \$0 and \$78,207, respectively.

8. TRANSFER TO THE CITY OF NEW ORLEANS:

On December 14, 2010, at the request of the Mayor and City Council of the City of New Orleans, the Organization transferred \$1,000,000 to the City's General Fund to help offset budget deficits incurred by the City. The transfer to the City was reflected in the statement of activities for the year ended December 31, 2010. There were no transfers to the City for the year ended December 31, 2009.

9. NET ASSETS:

All net assets of the Organization are undesignated and unrestricted.

10. SUBSEQUENT EVENTS:

Piazza d'Italia Development Corporation has evaluated subsequent events through May 4, 2011, the date which the financial statements were available to be issued, noting one event requiring disclosure as discussed below.

Beginning January 1, 2011, the Organization will begin paying one-third of staff employment expenses for the three public benefit corporations that share staff. Staff employment expenses the Organization is expected to incur in 2011 is estimated to be \$136,787.

11. RECLASSIFICATION:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with presentation in the current year financial statements.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

May 4, 2011

Piazza d'Italia Development Corporation
New Orleans, Louisiana

We have audited the financial statements of Piazza d'Italia Development Corporation, as of and for the year ended December 31, 2010, and have issued our report thereon dated May 4, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Piazza d'Italia Development Corporation (PDDC), as of and for the year ended December 31, 2010 in accordance with auditing standards generally accepted in the United States of America, we considered PDDC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the PDDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the PDDC's internal control over financial reporting.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Piazza d'Italia Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Legislative Auditor, audit committee, management, and others within the organization and grant awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

PIAZZA D'ITALIA DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010

SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unqualified opinion on the financial statements of the Piazza d'Italia Development Corporation.
2. Internal Control:
 Significant deficiency – none noted
 Material weakness – none noted
3. Findings required to be reported under Generally Accepted Government Auditing Standards:
 None
4. Status of prior year comments:

 09-01 The Organization is required to submit audited financial statements to the Louisiana Legislative Auditor within six months from the date of the financial statements. The Organization was not in compliance with this requirement for the year ended December 31, 2009. We recommended that the Organization take steps to ensure the timely filing of its financial statements. This finding has been resolved for the year ended December 31, 2010.